

VIEWS ON THE CO-OPERATIVE DEVELOPMENT PROGRAM

SUBMITTED BY THE BUSINESS ADVISORY SERVICE
OF THE CO-OPERATIVE FEDERATION OF VICTORIA

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A. INTRODUCTION AND LIMITATIONS

In July 1981 the Co-operative Federation of Victoria - with funding from the Ministry for Employment and Training's Co-operative Development Program appointed me to the newly created position of Co-operative Business Advisor. In early 1982 an Administrative Assistant began work, bringing the then - and what is now the current - staff level of the Business Advisory Service to two. As the Program began only three months before my appointment, and being one of a few people involved in its early stages, what I offer here are some insights from a deep and wide involvement in the development of the Co-operative Development Program so far. On the other hand of course, I cannot offer a detached perspective, and indeed, I have had, in the following comments, to work through such a lot of detail. In addition, I would like to point out the following limitations:

- (a) Because it is not my brief, and I do not have the time, I have made comments without presenting detailed justifications to 'prove' the points made. This does not, of course, mean that this cannot be done - and I would be only too willing to assist an evaluation consultant(s) in this, or in any other regard.
- (b) My comments, especially in relation to the future (C), tend to concentrate on the areas of most concern to the Business Advisory Service - rather than the whole Program - and this again, is partly due to time constraints in the preparation of this review. Upon request wider observations could be made.
- (c) The Business Advisory Service is currently reviewing its past activities in preparation for the forward planning involved in making a submission for funding of its 1983/84 activities. In addition, it is taking up the Co-operative Development Program Co-ordinator's offer to consider combining the resources of this Unit with those made available to the Education and Training Unit. This work is now in progress, and whereas it is not available in this document, it will be available in the coming months.

B. ACHIEVEMENTS TO DATE REGARDING PROGRAM OBJECTIVES

Quite apart from the co-operative aspects, the Program has raised some interesting issues in relation to the development of small businesses in general. From the small business counsellor aspect of my work, I have observed the following:

- 1. In Small Business generally there appears to be a high level of deficiency in nearly every aspect of the business skills needed to run a small business.
- 2. Although some Co-operatives in the Program have either, not fully recognized or only recognized on crisis point, their need for business advice, there has generally been a healthy demand for advice - and a corresponding willingness to accept it.
- 3. The professional community does not provide enough resources to satisfy the demands or potential demands of Small Business - eg the lack of availability of management accountants for Small Business.

Therefore what I am suggesting is that there is plenty of room in the market for financing and advising Small Business - co-operative or otherwise - and in this regard alone, the Co-operative Development Program is currently satisfying a very real need. Further, I would venture to say that there are some characteristics of this Program which make it particularly effective in this regard:

- (a) The finance and business advice are, I believe, getting into areas where they are needed.
- (b) The combination of the control (in the broadest sense) that results from being a funding source - together with providing business advice - leads to a Program which can, I believe, end up being more effective than where there is no such combination. As I have clearly indicated below, I think that the current relationship of funding and business advice needs urgent attention, but given a new formula I believe the current blend can lead to a lowering of the risk of financing Small Business (and thereby increasing the possibility of the retention and creation of long term employment).

In the respect of being "A Co-operative" the Program has, I believe, clearly provided - at the very least - a focus for the high level of interest which seems to surround this topic. The Program has provoked thought and direct experimentation of varying types, and at varying depths, into the running of a small business in a co-operative manner. In addition to Co-operative Principles - which include Open Membership, One Member One Vote, and methods for the Distribution of Surplus - there are currently practical experiments also going on in the involvement of the working members in the business's operations, e.g. management, with aspects of collective decision making; worker equity in the business. The Program also provides a focal point for the conversion of existing businesses into co-operatively run organisations. Both the types of commercial enterprises and their organizational structures vary considerably in this experiment.

In the one and a half to two years the Co-operative Development Program has been operating the experiment, it has in broad terms, in my observations, financed and provided business advice to a number of Co-operative small businesses, of which some will remain or become viable(1), while also providing insights into the co-operative aspects of running a small business - which could, in turn, prove invaluable for future developments. One has to realize the base from which the experiment starts - difficulties of resources for Small Business generally, the Economic climate, and the almost complete lack of experience in running a business on a democratically co-operative basis in Australia.

With these perspectives in mind, I believe that it is time to decide whether or not to get into this area much more seriously, and on a much sounder footing. In this regard, I welcome the Evaluation, and hope that it can be decisive - notwithstanding the developmental nature of the Program so far. For example, to plan ahead is critical for any business, then the certainty of the availability flexibility of finance is equally critical. Bank lending for business development is not done on an annual basis - effective developmental advice cannot be given under the current yearly budget allocation process.

(1) For the reasons stated above, I do not see it as my role to quantify, or 'pin' this point in this paper.

I believe that, subject to the findings of the Evaluation, a new, longer term financial commitment needs to be made - combined with a review and re-construction of the current structure of the Co-operative Development Program's operations.

C. THE PROGRAM'S STRUCTURE AND THE FUTURE

As stated in the Introduction (A), it is my intention here to only comment on those aspects which most concern the Business Advisory Service and its effective operation. I will make reference to the contents of a Paper previously submitted to the Ministry's Working Party on Loans and Conversion Co-operatives (see Appendix 1. attached) (2) in which the overall structure of the Co-operative Development Program was addressed - especially in relationship to the provision of financial support.

The Co-operative Development Program Unit

The current system is that the Co-operative Development Program Unit seeks advice from the Business Advisory Service for funding applications heard by its Funding Committee, whilst being responsible itself for monitoring. While this is understandable in the context of the development of the Program so far, it seems to me that the lender or giver (in the case of grants) of finance should have its own financial expertise - both to advise its Funding body and to effectively monitor the financial decisions that are made. With the possible advent of loans as one means of providing financial support with terms consistent with the objectives of the Program (which I support the introduction of in principle), I believe the need for 'banking' expertise is even more vital. The consideration of various options, of where and how this could be accomplished, was explored in some detail in the Loans Paper referred to above.

The Business Advisory Service

Apart from the potential conflict of interest in advising the Funding body and the Co-operatives, there has also been a problem of having enough resources to do that task - plus provide and develop an adequate and effective Business Advisory Service. In the past 20 months there have been nearly two full rounds of funding body deliberations.

In addition, I believe that the exact nature of the relationship between the Ministry's Co-operative Development Program Unit and the Advisory Services needs to be thrashed out and clarified. Exactly where do the lines of authority run, and where then, does the related line of responsibility run? How does this in turn, relate to the auspices body of the Advisory Services?

Appendix 1.

(2) Loans as a Means of Financial Support In the Victorian State Government's Co-operative Development Program Working Paper - 17th September 1982.

In the Introduction (A) above I referred to consideration currently being given to the merging of the resources made available to the Business Advisory Service and the Education and Training Unit, and that this proposal would be forthcoming. Suffice it to say here, that I strongly encourage this merger of resources, and feel that with the structural change - hopefully combined with a resolution of the points above - will make for an Advisory Service which will be able to focus clearly on its particular task, and be more effective.

Research

As I pointed out above, there is a current void of information and experience about democratic co-operative business practice, and I believe some basic research - and possibly overseas expertise - is a part solution. I believe that this research ought to be recognized as a need, and funded (possibly as part of the Advisory Services).

Legislation

I refer to the Proposed Amendments to the Co-operation Act, 1981, prepared and submitted by the Co-operative Federation of Victoria⁽³⁾ suggesting the inclusion of a section on Industrial Societies. I endorse the need for legislative recognition of activities which are currently the subject of a Government Ministry's official Program. It is difficult to advise and plan with Co-operatives without clarity in this area.

In summary, as indicated in the Introduction, what I have attempted to present here are some insights, which I hope will be useful for the Review and Evaluation Process. I have stated my perceptions of the information's limitations, and once again extend my offer of other contributions, if that is desired.

3rd March 1983

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(3) A copy of which is contained in the Review document of the Co-operative Federation of Victoria proper.